



## **U.S. Department of State**

# **FY 2000 Country Commercial Guide: Zambia**

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## **CHAPTER I: Executive Summary**

This Country Commercial Guide (CCG) presents a comprehensive look at Zambia's commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. embassies through the combined efforts of several U.S. government agencies.

Zambia is a landlocked southern African country of 10 million people, with good mineral resources, extensive arable land and normally adequate rainfall. The country's GDP per capita in 1998 was \$380, and the latest Zambian Central Statistics Office (CSO) survey (1997) indicated that 65% of Zambians live below the poverty line. Zambia has one of the highest urban populations, at 46%, in sub-Saharan Africa, with high unemployment. Agriculture accounted for 15% of GDP and 71% of employment in 1998, while Copper and cobalt exports accounted for 77% of export earnings.

Zambia began an economic reform program in 1991, and has made significant progress in liberalizing the domestic economy, foreign trade, and privatizing parastatal enterprises. More than two-thirds of Zambia's 330 parastatal companies were privatized by January 1998, including portions of the dominant copper conglomerate ZCCM. The remaining parastatals are slated for privatization over the next two years. The tariff structure is designed to facilitate imports of certain raw materials particularly in the agriculture and energy

sectors. There is no discrimination against foreign investors, and no restrictions on repatriation of capital or profits. However, the reform program and economy seriously stumbled in 1998-99, due to the failure to complete privatization of the giant ZCCM copper mining parastatal. A number of instances of government interference in the private sector, a weak court system, and inadequate law enforcement tarnish in practice Zambia's liberal investment framework.

In 1998, GDP dropped by 2%, after a growth of 3.5% in 1997. The Inflation rate fell from 35% in 1996 to 19% in 1997, but rose to 30.6 in 1998. Zambia's social indicators are below average compared to other sub-Saharan and low income countries.

There is a fair presence of U.S. companies in the Zambian market. Bilateral trade, however, is limited by high transportation costs, the relatively small domestic market, and low incomes. Zambia is a member of the WTO.

Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at <http://www.stat-usa.gov>, [www.mac.doc.gov](http://www.mac.doc.gov), and <http://www.state.gov>. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NITS. U.S. Exporters seeking general export information/assistance and country specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-usa-TRADE.

## **CHAPTER II: Economic Trends and Outlook**

Major Trends And Outlook: Zambia's remarkable economic reform program stumbled badly in 1998, caused largely by the delay in privatizing the loss-making parastatal Zambia Consolidated Copper Mines (ZCCM). Due to ZCCM's large size and dominance of foreign exchange earnings, this delay threatens Zambia's hard-won macroeconomic stability. The inflation rate rose from 19% in 1997 to 30.6 in 1998, foreign exchange reserves dropped by more than 50%, to a month's import cover, and the local currency (kwacha) lost more than a quarter of its value against the dollar. This trend spilled over into the first half of 1999. Critical balance of payments support from the international community was suspended in 1998 pending ZCCM's sale, but partially reinstated in May 1999. A massive buildup of inter-company debts threatens the domestic financial system. Most observers judge that ZCCM will sink the economy unless it is sold or closed.

Some economic sectors are recording growth, but broad-based growth benefiting all Zambians remains elusive. Zambia has reduced its vulnerability to the external shocks of periodic drought and falling copper prices through crop diversification, growth in non-agricultural sectors, and privatization. Zambia's growth potential remains somewhat

hostage to the world economy, however, since the fastest growing segments of the economy are non-mineral exports and tourism. Privatization of the economy in general will allow quicker and more flexible responses to unforeseen economic developments. Governmental corruption and bureaucratic inefficiency are continuing problems that affect the business environment.

The social sector currently suffers from government's fiscal constraints and structural changes. Private sector incomes have not kept pace with inflation and the imposition of user fees for health and education services. The result is that people often do without. The HIV/AIDS pandemic will continue to hamper development as Zambian workers, parents and officials are cut down in their prime.

Principal Growth Sectors: Copper and cobalt dominate the Zambian economy, accounting for 75% of export earnings, but production will continue to decline unless privatization succeeds in bringing in substantial new investment. Assuming the copper sector does not drag down the entire economy, there is considerable potential for growth in other areas. The non-copper mining sector holds considerable potential; Zambia is rich in precious and semi-precious gems, producing about 20% of the world's emeralds.

Zambia has large tracts of uncultivated arable land with good soil, a favorable climate and generally adequate water supply. Nontraditional exports, particularly horticultural and floriculture products, have enjoyed strong growth over the past several years. The country has numerous natural attractions, including Victoria Falls, and relatively abundant wildlife which, if marketed properly, could attract more tourists. Zambia's central location and relatively abundant rivers position Zambia well as a generator, exporter and conduit of hydroelectric power for the southern African region.

Government Role In The Economy: In 1998 the government recorded a decline of 2% of GDP in 1998, after growth of 3.5% in 1997, while Zambia's proposed budget for 1999 entails maintaining the overall fiscal deficit below 3% of GDP and achieving a surplus of 2% of GDP. Wages are not controlled. Prices have been decontrolled and subsidies eliminated. The foreign exchange rate and interest rates are market determined, and quantitative restrictions on imports have been eliminated. On the other hand, the government finds it difficult to refrain from interfering in the politically sensitive agricultural grain sector, and other areas. (see section VII).

Approximately 85% of Zambia's parastatal companies were privatized by June 1999, including some components of the dominant and symbolically important copper mining complex ZCCM. The telephone utility is slated for partial privatization; the electric utility, some sections of the rail network, and petroleum pipeline parastatals are currently slated for commercialization. State-owned financial institutions are being privatized or liquidated. The central bank (Bank of Zambia) remains subject to influence from the government in its conduct of monetary

policy and commercial banking supervision. The energy sector has been opened up to private investment.

Balance Of Payments Situation: Zambia's balance of payments (BOP) situation is fragile, with foreign currency reserves in December 1998 capable of covering one month's worth of imports. In part this reflects the suspension since 1996 of bilateral BOP support by donors in the wake of governance concerns. Some BOP support resumed mid 1999, following agreement on a second ESAF with the IMF, and Consultative Group (CG) meeting in May 1999. Zambia's Paris Club debt was rescheduled on Naples terms in December 1995. Total debt service payments in 1997 equaled \$277 million, about 21% of export earnings. Zambia had a current account deficit of \$275 million in 1998.

Infrastructure: Transport and communications infrastructures are fair by regional standards. A roads maintenance board has been created, funded by a gasoline tax, to deal with Zambia's deteriorated roads. Health facilities are mostly of poor quality; educational facilities vary greatly in quality.

### **CHAPTER III: Political Environment**

Political Relationship With The United States: Since the Movement for Multiparty Democracy (MMD) party came into government in November 1991, our bilateral relationship has generally been good. U.S. government officials and business representatives have enjoyed mostly prompt access to Zambian officials and policy makers. Zambia receives a significant amount of U.S. bilateral assistance. The U.S. also provides some military training and education. Peace Corps provides assistance through approximately 90 volunteers.

Political Issues Affecting the Business Climate: The business community pays close attention to the progress of privatization and the status of balance of payments support. The latter is dependent on donor concerns about democracy and governance issues in Zambia. The delay in privatizing ZCCM has contributed to a sharp drop in business confidence and activity. There is some antipathy in Zambia towards perceptions of foreign control of Zambia's resources and economy.

Political System, Election Schedule: Until 1991 Zambia was constitutionally a one-party state ruled by the United National Independence Party (UNIP). In 1991, a popular movement pushed for an end to the one-party state and adoption of multi-party democratic system. Multi-party elections were held in October 1991, and again in November 1996. The Movement for Multiparty Democracy (MMD) won landslide victories in both elections. The electoral process preceding the November 1996 elections was flawed, prompting a boycott by UNIP, but there is no evidence that the polling itself was significantly rigged or fraudulent. Several parties, including UNIP, participated in local government elections and parliamentary by-elections in 1998 and 1999. Elections in Zambia are generally peaceful, with only occasional minor incidents of politically inspired violence taking place.

The political system is a hybrid of the British and American systems. The one house, Parliament, has 150 seats. The head of government is an independently elected president who must draw his cabinet from members of parliament. Elections for both the President and Parliament occur simultaneously every five years. The President is limited to two five-year terms.

Orientation Of Major Political Parties: The MMD platform is for democracy, human rights, and free market economics. With some hiccoughs, the MMD has generally pursued this path since 1991. Following its electoral losses, UNIP dropped its socialist orientation for a "social market" approach, which they define as "capitalism with a social conscience." There are several other small parties, many of which broke away from the MMD. All favor market-oriented economies.

## **CHAPTER IV: Marketing U.S. Products and Services**

Distribution And Sales: Distribution and sales of goods and services are mainly through the private sector. Except for ZCCM and the public utilities, remaining parastatal companies are marginal and should be privatized or closed over the next couple of years. There are both formal and informal distribution channels, large and small, through which goods are sold to the consumer. Wholesale trade is concentrated in cities and large towns, with retail outlets and individual vendors operate in cities, towns, and remote areas throughout the country.

Agents And Distributors; Finding A Partner: Over fifty Zambian companies are significant agents or distributors for U.S. companies, and there is strong interest in acting as agents or distributors for U.S. products. Financing local inventories is often a problem, especially given current high interest rates. Only a few companies have the sales or service networks that meet standards many U.S. companies desire. The Embassy has a limited capacity to conduct Agent/Distributor Searches (ADS) when requested through a U.S. Department of Commerce district office. The local offices of international accounting firms and business consultants can also assist in finding a qualified local business partner.

Franchising: Franchise business arrangements in Zambia are based on British standard "Law of Contract." A Distributor/Agent type of franchising is most common in Zambia, while a Business-Format type of franchising is beginning to develop. There is increased interest in franchising in Zambia generated by publicity and exposure to international franchise trade events in the U.S. Financing remains a major obstacle to franchise business in Zambia.

Direct Marketing: There are no restrictions on foreign firms directly marketing products in Zambia.

Joint Ventures/Licensing: There is strong interest in the Zambian business community in joint ventures and licensing agreements. These

arrangements are often expected to help overcome domestic shortages of capital, technology or expertise.

Steps To Establishing An Office: The legal requirements for establishing an office in Zambia are fairly easy. However, attractive office accommodations are not always readily available. A prospective company must register with the Registrar of Companies at the Ministry of Commerce, Trade and Industry by submitting the company charter and a registration fee. This may be done by an individual, a law firm, or by a business consultant. The minimum nominal capital required to register a limited company is 500,000 Zambian Kwacha (ZK), equivalent to approximately 200 U.S. dollars. A registration fee of 2.5% of nominal capital is charged, plus ZK 31,000 (about \$13). After submission of the company charter and payment of registration fees, a Certificate of Incorporation is generally issued within 24 hours.

Foreign companies that plan to invest in Zambia should obtain an investment license from the Zambian Investment Center (ZIC) in order to take advantage of ZIC advocacy and services. The procedure is simple and licenses are approved or disapproved within 30 days. The Investment Center may be contacted at the following address:

Zambia Investment Center  
4th & 5th Floors, Ndeke House, Longacres  
PO Box 34580, Lusaka, Zambia  
Tel: (260) 1-25-213; Fax: (260) 1-25-2150  
Contact: Peter Lintini, Director, Promotions

Selling Factors/Techniques: Selling is normally done on a cash basis, due to scarce and expensive credit. Companies that can offer credit, or an extended payment schedule, have an edge even if their prices are higher. Cost, reliability, simplicity, and durability are also important factors in marketing products in Zambia. After sales service is an important factor for technical products.

Advertising And Trade Promotion: **Electronic Media:** Zambia has one national television station and four radio stations, three of which have a limited audience. Television reaches roughly 10 percent of households. Radio coverage is broad and covers the country on both English and local language stations. The television and most powerful radio stations are run by:

Zambia National Broadcasting Company (ZNBC)  
PO Box 50015, Lusaka, Zambia  
Tel: (260) 1-25-1961; Fax: (260) 1-24-6489

Radio Phoenix  
P/B E 702, Lusaka, Zambia  
Tel: (260) 1-22-2403 Fax: (260) 1-22-1655  
Email: rphoenix@zamnet.zm

**Print media:** There are two government owned daily newspapers, the Times of Zambia and the Zambia Daily Mail. The major independent daily



is the Post newspaper. The Daily Mail also publishes a business weekly, the Financial Mail. Two monthly business publications are the Zambia National Farmers Union "Zambian Farmer," and the Zambia Association of Chambers of Commerce and Industry (ZACCI) "Profit Magazine." The two latter publications are strong voices for private sector business in Zambia. The following are contact addresses for the major print media:

Times of Zambia, PO Box 70089, Ndola, Zambia  
Tel: (260) 2-61-1001/2/3/4 Fax: (260) 2-614469

Zambia Daily Mail, PO Box 31412, Lusaka, Zambia  
Tel: (260) 1-22-7793/8; Fax: (260) 1-22-5881

Post Newspaper, P/Bag E352, Lusaka, Zambia  
Tel: (260) 1-22-5455; Fax: (260) 1-22-5452

Profit Magazine, Associated Printers, PO Box 32104, Lusaka, Zambia  
Tel: (260) 1-25-2369; Fax: (260) 1-25-2483  
Email: zacci@zamnet.zm

Zambian Farmer, c/o Zambia Farmers Union, PO Box 30395, Lusaka, Zambia

The U.S. advertising firm Young & Rubicam has offices in Zambia and may be contacted at the following address:

Young & Rubicam (Zambia) Limited  
PO Box 32497, Lusaka, Zambia  
Tel: (260) 1-22-8489; Fax: (260) 1-22-5173

Pricing Product: As Zambia's economy has become more open, pricing has become more competitive. International and domestic transportation costs can be a considerable factor in selling goods. Credit is scarce and expensive, making it a major consideration in a purchasing decision.

Sales Service/Customer Support: After sale service and customer support are important factors, particularly for technical products. In general, after sales service and support are not good, but are strongly prized by customers.

Selling To The Government: The government of Zambia purchases directly from suppliers for goods worth ZK 500,000 (USD 200) and below. Purchases exceeding ZK 500,000, including capital expenditures from external assistance, go through the National Tender Board.

Protection From IPR Infringement: Trademark protection is adequate. There are fines for revealing business proprietary information, but the fines are not large enough to penalize disclosure adequately. Copyright protection is limited and does not cover computer applications.

Zambia's patent laws conform to the requirements of the Paris Convention for the protection of industrial property, of which Zambia is a signatory. It takes a minimum of 4 months to patent an item or

process. Duplicative searches are not done, but patent awards may be appealed on grounds of infringement.

Zambia is signatory to a number of international agreements on patents and intellectual property. These include: the World Intellectual Property Organization (WIPO); Paris Union; Berne Union; African Regional Industrial Property Organization (ARIPO); and Universal Copyright Convention (UNESCO). National laws are mostly adequate in protecting intellectual property rights, and there has been effective recent enforcement against pirated musical and video recordings. Small scale trademark infringement occurs for some packaged goods through copied or deceptive packaging.

Need For A Local Attorney: An attorney is not needed for the basics of registering and setting up a company, but many routine problems that may arise are best handled by a local attorney familiar with Zambian law.

## **CHAPTER V: Leading Sectors for U.S. Exports and Investment**

Best Prospects For Non-Agricultural Goods And Services: Franchising in Zambia is beginning to develop and offers some good prospects to American companies (see chapter 4). Best franchising prospects are printing, fast food, postal services, computer/office supplies, telecommunications, education, and business services.

Zambia has significant requirements for infrastructure rehabilitation. Sectors requiring extensive rehabilitation or new investment include the railway and road networks, hydroelectric power, mining, and telecommunications. Many of these rehabilitation projects are funded by multilateral lending institutions and bilateral donors.

The computer market is growing in Zambia, although the market is limited. Many corporations are introducing computer applications in their operations in order to enhance efficiency and productivity. The introduction of Internet services in 1995 is also spurring demand. There is a shortage of skilled repair facilities and software experts.

The agricultural sector represented 15% of GDP in 1998, and this figure is expected to grow as a result of government policy to boost export agriculture. Depending on the harvest, the majority of medium and large scale farmers have sufficient income to service a medium term loan for purchasing agricultural equipment. Used/remanufactured equipment might find a good market if there is a significant price advantage.

Best Prospects For Agricultural Products: Zambia generally imports wheat, usually from South Africa, Canada and the United States. Corn (maize) is also imported in years when drought affects Zambia or neighboring countries.

Significant Investment Opportunities: Approximately 85% of Zambia's parastatal companies were privatized by the end of 1998. Major U.S. companies have purchased assets in the mining industry and metal

fabrication. There are still a number of opportunities for purchasing existing parastatal companies or assets in the mining, agricultural, tourism/hotel, insurance, telecommunications and energy sectors.

The Government of the United States acknowledges the contribution that outward foreign direct investment makes to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. For example, roughly 60% of U.S. exports are sold by American firms that have operations abroad. Recognizing the benefits that U.S. outward investment brings to the U.S. economy, the Government of the United States undertakes initiatives, such as Overseas Private Investment Corporation (OPIC) programs, investment treaty negotiations and business facilitation programs, that support U.S. investors.

## **CHAPTER VI: Trade Regulations and Standards**

Trade Barriers: A small number of goods may be imported into Zambia duty-free. Most goods fall into one of three tariff bands: 5% (selected raw materials, and capital equipment); 15% (intermediate goods); or 25% (final products). Duty on productive machinery for agriculture and mining is zero percent. A 5% Import Declaration Fee on all goods was rescinded effective July 1, 1998.

Customs Valuation: Customs valuation is ad valorem on a CIF basis.

Import Licenses: Import licenses have been abolished. Certification must be obtained for the following imports: meat (Veterinary Service); plants (Mount Makulu Research Station); food & drugs (Ministry of Health); firearms and ammunition (Zambia Police). Ivory imports are banned.

Export Controls: Export licenses are required for: fertilizer, firearms, live animals, and wildlife trophies.

Import/Export Documentation: Standard customs declarations are required for imports. Banks are responsible for documenting payment. Most imports over 5,000 U.S. dollars must undergo pre-shipment inspection by SGS, and should have the accompanying documentation.

Temporary Entry: It is difficult to get duty-free temporary entry except for transit goods. In most cases, duty must be paid and a refund applied for through the duty-drawback scheme upon re-export. Regulations for import under bond requires a written application to the Zambia Revenue Authority (ZRA) which, upon inspection of the custody facility, will certify/authorize import under bond. Goods leaving the bonded facility need to be declared to the ZRA and Customs Office.

Labeling/Marking Requirements: There are no special labeling or marking requirements.

Prohibited Imports: There are no prohibited imports of otherwise legal goods.

Standards: Standards legislation is outdated and not enforced. Several companies have undertaken to become certified to ISO 9000.

Free Trade Zones/Warehouses: There are no free trade zones. Bonded warehouses are available.

Special Import Provisions: N/A

Membership In Free Trade Arrangements: Zambia belongs to the 20-member Common Market of Eastern and Southern Africa (COMESA), and 14-member Southern African Development Community (SADC). COMESA has committed to free trade area among its members by October 2000; SADC has a similar proposal for the year 2004.

## **CHAPTER VII: Investment Climate**

Background: The long negotiations to privatize Zambia's predominant copper mining parastatal, Zambia Consolidated Copper Mines (ZCCM), continue to cloud the country's economic prospects. Current suitor Anglo-American Corporation may reach an agreement in late 1999, particularly if the Chilean company CODELCO agrees to participate. The Zambian government and IMF reached an agreement in March 1999 on a second Enhanced Structural Adjustment Facility (ESAF). These positive economic steps, along with progress on the democratic governance front, have resulted in renewed Balance of Payments (BOP) support from some bilateral and multilateral donors, and should lead to consideration of further measures to alleviate Zambia's \$6-7 billion international debt.

Nonetheless, Zambia's economy remains depressed. The delays in completing ZCCM's privatization contributed to major economic problems in 1998. Inflation increased to 30% for the year, and interest rates climbed above 40%. The economy as a whole contracted by an estimated 2%. Bilateral and multilateral donors' BOP support has been contingent on ZCCM's sale for a number of years, and the absence of BOP support contributed to a 30% depreciation of the local currency (Kwacha). Zambia continued to benefit from substantial project aid.

Politically, Zambia held local government elections in December 1998, the last major elections before presidential and parliamentary elections in 2001. In late 1998, the government also discontinued prosecution of civilians accused of complicity in the 1997 attempted military coup. The ruling MMD party continued dialogue with opposition parties to resolve electoral differences. The violent conflicts in neighboring Angola and Congo preoccupy Zambia's international attention; Angola has asserted that some Zambian officials are involved in supplying UNITA, and President Chiluba has a leading role in developing a cease-fire and settlement in the Congo conflict.

## **Regulatory Environment**

Openness to Foreign Investment: The Zambian government actively seeks foreign investment through the Zambian investment center (ZIC). An investment board screens all proposed investments, and usually makes its decisions within thirty days. The reviews appear routine and non-discriminatory, and applicants may appeal investment board decisions. With an approved investment license, an investor is eligible for up to five expatriate work/residence permits, but in practice companies have had difficulties in securing their allotment. There is no distinction in law between foreign and domestic investors. The privatization process is open to foreign bidders from the point at which companies are advertised.

Conversion and transfer policies: Zambia currently limits over the counter cash conversions of Kwacha into foreign currency to the equivalent of \$7,500 for account holders, and \$5,000 for others. There are no restrictions on non-cash transactions, or transferring money into or out of the country. Foreign exchange is available at market determined rates.

Expropriation and Compensation: Investments may only be expropriated by an act of parliament relating to the specific property expropriated. The law states compensation must be at a fair market value, although the method for determining fair market value is ill-defined. Land, which is held under 99-year lease, may "revert" to the government if it is ruled to be undeveloped. So far, no privately held land has "reverted," but it has occurred for parastatal and university lands.

Dispute Settlement: There have been relatively few investment disputes since the MMD government took office in 1991. The investment code provides that disputants first resort to internal dispute settlement and then, failing that, the parties may go to international arbitration. The state recognizes international arbitration as binding. Zambia is not a member of the International Center for the Settlement of Investment Disputes (ICSID - the Washington Convention). There are no outstanding investment disputes with American companies in Zambia, but a Zambian company with American investment is currently in dispute with the government. The Zambian company, with substantial American investment, has been accused by government of violating regulatory/safety provisions which the company denies. The government has subsequently withheld services, or taken decision contrary to the interests of the company, with the apparent intention of forcing the company from business. Delays in a court hearing of the case have cost the company substantial revenue to date, and may result in the de facto closure of the company.

Government has also intervened in the case of an American investor seeking to force payment of unpaid debt from a private mining company. Arguing that social concerns take precedence, the government indicated it would retaliate against the American company if it pursued its action to collect debt through cutting off supplies. The government offered no alternative, and the issue continues.

The courts in Zambia are reasonably independent, but contractual and property rights are weak and final court decisions can take a long time. Slow courts and inadequate law enforcement procedures resulted in the

case of an unjustly jailed U.S. businessman in 1998. The issue was resolved after protracted legal proceedings. U.S. companies have been successful in getting court rulings enforcing their contracts, even against parastatal companies. There is no bankruptcy law in Zambia. Secured interests in property are possible and recognized, but fairly rare. There is no system of recording these interests.

Performance Requirements/Incentives: There are no requirements for local content, equity, financing, employment or technology transfer. The investment act provides general incentives for investments in rural enterprises, farming, and non-mineral exports. Companies listed on the Lusaka stock exchange also qualify for reduced corporate income tax. In response to domestic businesses over Zambia's liberalized trade regime, the 1999 budget introduced some tariff protections for local industry. Some of these tariffs are inconsistent with Zambia's obligations under the Common Market for Eastern and Southern Africa (COMESA) treaty, and Zambia has agreed to repeal those tariffs. There are currently no areas designated as free trade zones or free ports. There is legal provision, however, for the establishment of free trade zones or manufacturing in bond.

Right to Private Ownership and Establishment: There is a right of private ownership of business enterprises. There are no business ventures reserved solely for the government. Private entities may freely establish and dispose of interests in business enterprises, but investment board approval is required to transfer an investment license for a given enterprise to a new owner.

Protection of Property Rights: Enforcement of property rights in general is weak in Zambia. Planned legal reforms include the strengthening of commercial law and property rights.

Transparency of Regulatory System: Current business laws are outdated and some modern business practices are not covered under current law. Tax laws have improved, but enforcement concentrates on the formal sector, while a large informal sector goes untaxed.

Capital Markets and Portfolio Investment: Government policy generally encourages the establishment of free market financial institutions. Banking supervision by the bank of Zambia has improved over the past two years, with increased capital requirements and stricter enforcement, but a number of shaky local banks still exist. Total assets for Zambia's commercial banks totaled USD 780 million in 1997. Continued high interest rates, in the range of 47% in June 1999, have inhibited credit to the private sector; high reserve requirements have also channeled available capital into government securities.

A nascent stock market continues to expand (there were twelve listed issues as of June 1999), and will benefit from public offerings of privatized parastatal companies. Capital is generally not raised through public stock offerings.

Political Violence: There have been no recent instances of politically motivated damage of projects or installations. Civil disturbances are rare in Zambia and will likely remain so. Unrest in countries bordering Zambia has caused refugee influxes in the past, and contributed to crime near the borders.

Corruption: Zambia has established an anti-corruption commission, but there is little track record as yet. Laws and penalties exist for efficient enforcement. Governmental corruption is a continuing problem, particularly in procurement and contract tendering. It is not illegal or unusual for government officials to win government contracts.

Bilateral Investment Agreements: There are no known bilateral investment treaties.

OPIC and Other Investment Insurance Programs: OPIC insurance is available to U.S. investors in Zambia. An investment incentive agreement with the U.S. OPIC was signed in June 1999. Zambia is a member of the Multilateral Investment Guarantee Agency (MIGA).

Labor: There is an abundance of unskilled labor, and adequate semi-skilled labor. Skilled and professional workers are in short supply. Wages are not controlled. The government adheres closely to ILO conventions, and has revised labor laws with the view to conform to international practice. Labor-management relations vary by sector. Strikes are not uncommon in the public sector, or parastatal industries, particularly related to delayed payment of wages.

Foreign Trade Zones/Freeports: There are no free trade zones. Bonded warehouses are available.

Foreign Direct Investment Statistics: The largest foreign investments in Zambia are from the United Kingdom and South Africa, or involve the South African subsidiaries of multinational firms. Anglo-American (SA) holds a 27% interest in ZCCM and has further interests in food and beverage processing, hotels, agriculture and other businesses. The Commonwealth Development Corporation (UK) has shares in a number of enterprises in agriculture, mining and cement. About thirty U.S. firms have investment or agents in Zambia. At least two major U.S. firms have taken leading positions in Zambian privatization.

Investment Possibilities: The likely privatization of ZCCM to Anglo-American Corporation in 1999 will benefit ancillary industries and service companies. Besides mining, areas which have potential for investment include agriculture, tourism, telecommunications and processing of local raw materials. Zambia is mineral rich and produces about 20% of the world emeralds. The non-copper mining sector holds considerable potential.

Zambia has large tracts of uncultivated arable land with good soil, a favorable climate and generally adequate water supply. The country has numerous natural attractions, including Victoria Falls, relatively abundant wildlife, and a generally pleasant climate which, if marketed properly, attract more tourists. Non-mineral exports, particularly horticultural and floricultural products, have enjoyed strong growth in recent years.

Doing business: The courts in Zambia are reasonably independent, but contractual and property rights are weak and final court decisions can take a long time. Frequent delays and stays can give truth to the expression, "justice delayed is justice denied." In 1998, slow courts and inadequate law enforcement procedures resulted in a case of an unjustly jailed U.S. businessman, who was ultimately acquitted. U.S. companies have been successful in getting court rulings enforcing their

contracts, even against parastatal companies.

Transport and communications infrastructure is good by regional standards, but acceptable-to-poor by American standards. Crime is an area of concern. Health facilities are mostly of poor quality; educational facilities vary greatly in quality. English is an official language of Zambia, and is universally spoken by educated Zambians. There is no bankruptcy law in Zambia. Secured interests in property are possible and recognized, but fairly rare. There is no system of recording these interests.

## **CHAPTER VIII: Trade and Project Financing**

The Banking System: Zambia has a commercial banking sector composed of private international banks, private domestic banks, and parastatal banks. Full service international banks include Barclays, Standard Chartered, First Alliance and Stanbic. In addition, Citibank and Equator Bank do corporate banking in Zambia. Following legislation to legalize merchant banking, several commercial banks have since added merchant banking to their banking activities, while a new bank, Cavmont Merchant Bank, was established in late 1994. The banking sector is supervised by the Bank of Zambia which is also the central bank. The Bank of Zambia reports to the Ministry of Finance. Industry observers generally credit the Bank of Zambia with making large strides in improving bank oversight over the past several years. Under review by Parliament is legislation for deposit insurance scheme and for controlling money-laundering activities.

Foreign Exchange Controls Affecting Trade: Following repeal of the Exchange Control Act in February 1994, Zambia established full convertibility in both the current and capital accounts. There are no controls on the movement of capital in or out of Zambia. Bank accounts may be held in local or foreign currency, and funds are easily transferred out of the country or held offshore. Amounts over 5,000 U.S. dollars, carried in or out in cash or travelers checks, must be declared. In March 1999, the Central Bank (Bank of Zambia) instructed commercial banks and Bureau de Change operators to restrict issuance of over-the-counter cash to \$5,000 per transaction.

General Financing Availability And Terms Of Payment: Domestic financing is in short supply except for export-oriented production. Although interest rates have declined since January 1997, rates are still high enough to make medium or long term borrowing unfeasible. Short term borrowing is available, but expensive. Many businesses either self finance or seek finance outside the country, in hard currency.

Financing Exports And Insurance For U.S. Exporters: The letter of credit is the most common method of payment used for Zambian imports. In general, companies find it very difficult to finance their own imports and seek credit arrangements, but businesses considering offering their exports on credit should make a very careful check of the bona fides and finances of Zambian companies before doing so. Delinquent payments to



suppliers are a common problem in Zambia.

The Overseas Private Investment Corporation (OPIC), a U.S. government agency, offers project financing, political risk insurance, and investor services in Zambia. The U.S. Export-Import Bank (ExImBank) is not currently open in Zambia. Domestic finance for imports is available from commercial banks only on a short term basis.

Project Financing Available: The availability of project financing, particularly for export-oriented projects, is improving. Besides bilateral and multilateral government agencies, commercial banks and venture capital funds are playing an increasing role. Both the U.S. and European Union (EU) have established enterprise development funds which encompass Zambia. The International Finance Corporation (IFC) and Commonwealth Development Corporation (CDC) both offer financing for projects in Zambia.

Banks With Correspondent U.S. Banking Arrangements:

Barclays Bank  
Citibank  
Stanbic  
Standard Chartered

## **CHAPTER IX: Business Travel**

Business Customs: Zambia inherited the British legal system at independence in 1964. Business law is based mostly on British law, and business customs are similar to those in the U.S. and Europe.

Travel Advisory And Visas: Visas are required for U.S. passport holders, and it is highly recommended that travelers obtain visas in advance of arrival. Multiple entry visas may be obtained from the Embassy of the Republic of Zambia, 2419 Massachusetts Avenue, NW, Washington DC 20008, telephone (202) 265-9717. A multiple entry visa costs forty U.S. dollars, and a single entry visa costs twenty five dollars. Visas specifically meant for tourists traveling as a group may be obtained at the border on arrival. These visas are usually single entry visas valid for 3 months and cost twenty dollars.

Crime is a problem in Zambia. Mugging is relatively rare, but car thefts, and house and car break-ins are not uncommon. The Copperbelt towns along the border with the Democratic Republic of Congo (Zaire) have seen periodic surges in crime due to problems across the border. There are no internal travel restrictions in Zambia, although areas around military bases may have restricted access. Police/traffic check points do occur, fining vehicles deemed not to meet safety regulations. Many observers see this as corruption problem.

Medical facilities are generally limited. Doctors and hospitals often require immediate cash payment for health care services. Medical insurance covering air ambulance evacuation is highly advisable. For

the most recent travel information on Zambia, call (202) 647-5225. For fax information, call (202) 647-3000, or check "travel.state.gov" on the Internet.

#### Holidays:

Anticipated Zambian Holidays in the year 2000 are:

January 1	New Years Day
March 12	Youth Day
April 21	Good Friday
April 22	Holy Saturday
April 23	Easter Sunday
April 24	Easter Monday
May 1	Labor Day
May 25	African Freedom Day
July 4	Heroes Day
July 5	Unity Day
August 7	Farmers Day
October 24	Independence Day
December 25	Christmas Day

(Official holidays for next year will not be confirmed until 10/99)

Business Infrastructure: English is the official language and the language of government and business in Zambia.

There are weekly or more frequent airline connections to Lusaka from London, Dar es Salaam, Gaborone, Harare, Johannesburg, Lilongwe, Nairobi and Windhoek among other cities. Domestic flights are available between Lusaka, Ndola or Kitwe (Copperbelt Province), Mfuwe and Chipata (Eastern Province), Livingstone (Southern Province), and Kasama (Northern Province).

The railway system is rundown and undergoing restructuring. Passenger train travel is unreliable and can be uncomfortable. There are numerous private city bus lines, but they are overcrowded and often unsafe. There are luxury coach services on inter-city runs, including Lusaka-Harare and Lusaka-Johannesburg.

Road transportation is the preferred means of transport for many goods. The road network is uneven: fairly good on some stretches and abysmal on others.

Zambia is landlocked and goods come in and out via air freight, or four ports: Dar es Salaam, Tanzania; Beira, Mozambique; Durban, South Africa; and Walvis Bay, Namibia.

Telecommunications are generally adequate but can be unreliable, especially during the rainy season. Cellular service is currently offered in Lusaka, Copperbelt towns, and some towns along the line of rail. International telephone calls are expensive, about 8 U.S. dollars per 3 minute to the U.S., including tax. AT&T's USA Direct service is

available, as well as similar services to Britain, Sweden and some other European countries. A number of callback service companies are operating, although their legality and operations are disputed by the parastatal telephone company, ZAMTEL. Fax machines are widely used in Zambia. The Internet is also becoming a popular communications tool.

Good quality housing is available but generally in short supply, particularly for rental housing.

Malaria is endemic in Zambia; cases occur in Lusaka, as well. Prophylaxis is strongly recommended if traveling outside the city. HIV prevalence is very high in Zambia, with estimated rates of 30-40% of the adult population in urban areas. The water in major city hotels is safe. When traveling outside the major cities, water should be filtered and boiled if possible.

Fresh meat, dairy products, fruits and vegetables are readily available and of high quality. Most processed food is imported from South Africa and is available in urban supermarkets, although it may be expensive. Lusaka has a number of good restaurants.

Guide For Business Representatives: This guide is available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington DC 20402, Tel: (202) 512-1800; Fax: (202) 512-2250. Business travelers to Zambia seeking appointments with U.S. Embassy Lusaka officials should contact the Commercial Section in advance. The Commercial Section can be reached at Tel: (260-1) 250-955 or Fax: (260-1) 252-225.

## **CHAPTER X: Appendices**

### APPENDIX A: Country Data:

Population (1999 est.):	10.3 million
Population growth rate:	2.8%
Religion(s):	Protestant, Catholic, Animist
Government System:	Parliamentary democracy
Language(s):	English (official); numerous local languages
Work week:	Monday - Friday; 08:00-17:00 Saturday; 08:00 - 12:30

### APPENDIX B: Domestic Economy:

(million USD unless noted)	<u>1997</u>	<u>1998</u>	<u>1999(est.)</u>
GDP:	3,761	3,800	3,952
GDP per capita (USD):	384	380	384
GDP Growth Rate:	3.5%	2%	4%
Government Spending/GDP:	25%	n/a	31%
Inflation:	18.6%	30.6%	15%
(end of period)			
Unemployment:	n/a	n/a	n/a

Foreign Exchange Reserves: (end of period)	213	44	165
USD Exchange Rate (kwacha/\$): (period average)	1,121	1,882	2,500
Debt Service Ratio: (before rescheduling)	29%	33%	37
U.S. Assistance:	18.6	20	20

Data sources: Ministry of Finance; IMF.

#### APPENDIX C: Trade:

(million USD unless noted)	<u>1997</u>	<u>1998</u>	<u>1999</u> (est.)
Total Exports (fob):	1,191	873	1,100
Total Imports (cif):	1,218	1,022	1,218
U.S. Exports:	50	30	40
U.S. Imports:	65	70	70

#### APPENDIX D: Investment Statistics:

There are no consolidated statistics on foreign direct investment in Zambia. Much of the existing stock is pre-1964 (Independence) investments.

## **CHAPTER XI: U.S. and Country Contacts**

### U.S. Embassy Lusaka

Ambassador David B. Dunn  
Deputy Chief of Mission Robert Whitehead  
Economic/Commercial Attaché Troy Fitrell  
Commercial Officer Jean Niebel  
Senior Commercial Assistant Charles Chilemu  
Commercial Assistant Odelo Mwiinga

U.S. mailing address: Embassy Lusaka, Department of State, Washington DC 20521-2310.

International mailing address: United States Embassy, PO Box 31617, Lusaka, Zambia.

Street address: Corner of United Nations and Independence Avenues, Lusaka, Zambia.

Telephone: 260 1 250-955  
Fax: 260 1 252-225

### Zambian Government and Industry

Ministry of Commerce, Trade and Industry, Permanent Secretary Austin Sichinga, PO Box 31968, Lusaka, Zambia. Tel: 260 1 228-301.

Ministry of Finance, Permanent Secretary Benjamin Mweene, PO Box RW 50062, Lusaka, Zambia. Tel: 260 1 223-859.

Zambia Privatization Agency (ZPA), Acting Chief Executive Stuart Cruickshank, PO Box 30819, Lusaka, Zambia. Tel: 260 1 223-859.

Zambia Investment Center (ZIC), Acting Director Margaret Mwanakatwe, PO Box 34580, Lusaka, Zambia. Tel: 260 1 222-160.

Zambia Association of Chambers of Commerce and Industry (ZACCI), Chairman George Chabwera, PO Box 30844, Lusaka, Zambia. Tel: 260 1 252-369

#### Country Market Research

Price Waterhouse, Senior Partner Jack Ward, PO Box 30942, Lusaka, Zambia. Tel: 260 1 228-809

#### Commercial Banks

Citibank, PO Box 30037, Lusaka, Zambia. Tel: 260 1 229-025.

Barclays Bank, PO Box 31936, Lusaka, Zambia. Tel: 260 1 228-858.

Stanbic Bank, PO Box 34477, Lusaka, Zambia. Tel: 260 1 229-285.

Standard Chartered, PO Box 31451, Lusaka, Zambia. Tel: 260 1 229-285.

#### Washington-based U.S. Government Contacts

Phil Drouin, Zambia Desk Officer (AF/S), Department of State, Washington DC, 20520. Tel: 202 647-9858.

Office of the Coordinator for Business Affairs, Department of State, tel: 202 746-1625.

Deborah Henke Rogers, Zambia Desk Officer (ANESA/OA), Department of Commerce, Washington DC, 20230. Tel: 202 482-4227.

TPCC Trade Information Center Number: 1 800 USA-TRADE.

Trade Assistance and Promotion Office, Foreign Agricultural Service, Department of Agriculture, tel: 202 720-7420.

## **CHAPTER XII: Market Research and Trade Schedule**

Trade Schedule: Zambia holds two annual trade fairs. The main trade event is the Zambia International Trade Fair, held the first week of July in the Copperbelt town of Ndola. This is followed by the Zambia Agriculture and Commercial Show held in Lusaka, the first week of August.